

Internal Revenue Service  
District Director

Department of the Treasury

P.O. Box 2150  
Los Angeles, CA 90053

Person to Contact  
[REDACTED]

Telephone Number  
[REDACTED]

Refer Reply to  
[REDACTED]

EIN: [REDACTED]

Date: JPP 23 1990

[REDACTED]

Dear Sir or Madam:

We have considered your application for exemption from Federal income tax as an organization described in section 501(c)(4) of the Internal Revenue Code of 1986.

The information submitted discloses that you were formed as an association on [REDACTED].

You have stated that the specific purposes for which you were formed are to provide for maintenance and preservation of a [REDACTED] unit condominium project known as [REDACTED] Condominiums. Furthermore, you have indicated that your organization will conduct activities directed to the exterior maintenance of private residences.

Section 501(c) of the Internal Revenue Code of 1986 describes certain organizations exempt from income tax under section 501(a) and reads, in part, as follows:

"(4) Civic league or organizations not organized for profit but operated exclusively for the promotion of social welfare, or local associations of employees, the membership of which is limited to the employees of a designated person or persons in a particular municipality, and the net earnings of which are devoted exclusively to charitable, educational, or recreational purposes."

Section 1.501(c)(4)-1(a) of the Income Tax Regulations states that a civic league or organization described in section 501(c)(4) may be exempt if it is not organized or operated for profit and it is operated exclusively for the promotion of social welfare. The Regulations describe social welfare activities as promoting in some way the common good and general welfare of the people of the

community. An organization coming within the purview of this section is one which is operated exclusively for the purpose of bringing about civic betterments and social improvements.

Revenue Ruling 74-17, 1974-1 C.B. 130, provides that an organization formed by the unit owners of a condominium housing project to provide for the management, maintenance and care of the common areas of the project, as defined by the State statute, with the membership assessments paid by the unit owners does not qualify under section 501(c)(4) of the Code. The services provided constitute private benefits not within the purview of section 501(c)(4) of the Code.

This ruling may be distinguished from Revenue Ruling 74-99, 1974-1 C.B. 131, which provides that a homeowners' association, to qualify for exemption under section 501(c)(4) of the Code, (1) must serve a "community" which bears reasonable recognizable relationship to an area ordinarily identified as governmental, (2) must not conduct activities directed to the exterior maintenance of private residences, and (3) must provide the common areas or facilities it owns and maintains for the use and enjoyment of the general public.

The Internal Revenue Service taken the position that in order for an organization to qualify for exemption from Federal income tax as a social welfare organization described in section 501(c)(4) of the Code, it must be primarily engaged in promoting in some way the common good and general welfare of the community as a whole.

Since you provide services to your membership, as described in Revenue Ruling 74-17, rather than serving in a similar capacity to a governmental unit, as described in Revenue Ruling 74-99, you do not qualify for exemption under section 501(c)(4) of the Code.

Therefore, we hold that you are not exempt from Federal income tax as an organization described in section 501(c)(4) of the Internal Revenue Code of 1986. You are required to file annual Federal income tax returns on Form 1120-B.

You have agreed to this denial of exemption by signing Form 6018, Consent to Proposed Adverse Action.

Sincerely yours,

District Director